

This record is a partial extract of the original cable. The full text of the original cable is not available.

111014Z Jan 06

UNCLAS SECTION 01 OF 02 PARIS 000169

SIPDIS

STATE FOR EUR/WE; OES; STAS; ISN; EB/ESC, AND EB/CBA  
USDOC FOR 4212/MAC/EUR/OEURA  
DOE FOR ROBERT PRICE PI-32 AND KP LAU NE-80

E.O. 12958: N/A

TAGS: [ENRC](#) [EPET](#) [EIND](#) [EINV](#) [PREL](#) [PGOV](#) [FR](#)

SUBJECT: FRANCE: ENERGY SECTOR UPDATE

Ref: 04 Paris 7704 and previous

[1](#)1. This is the fifth in a series of occasional updates on the French energy sector. Feedback is welcome to help us make this product as useful as possible for our inter-agency USG audience.

Contents:

- France to develop fourth-generation nuclear reactor (See Para 2);
- Peugeot Citroen to launch hybrid diesel models by 2010 (Para 3);
- Areva is rebranding Framatome and Cogema (Para 4);
- China expects Areva to improve its offer for a nuclear reactor deal (Para 5);
- Areva T&D confirms its position as a leading electrical infrastructure supplier in the in Middle East (Para 6);
- EDF foresees net profit rising 10 percent a year(Para 7);
- EDF share sale hits snags, gives Enel French foothold (Para 8);
- Brussels opens state aid probe into French oil research group (Para 9).

[1](#)2. France to develop fourth-generation nuclear reactor: In a New Year's message to French business leaders and unions, Chirac announced his decision to immediately launch work by the French Atomic Energy Commission (CEA) on a prototype fourth-generation reactor in order that it may go into service in 2020. This new initiative is designed to meet France's medium-term energy needs. At the same time, France will remain a key partner in ITER, the long-term research program for an experimental fusion reactor based in southern France to harness the energy of the sun, as well as in developing a third-generation EPR reactor, which will begin replacing France's aging 58 reactors starting in 2012. Underscoring the need to adapt to climate change, Chirac also said that oil would be gradually phased out in favor of alternative fuels for the country's public transport networks. As a result, French rail operator SNCF and the Paris metro and bus company RATP should not use a drop of oil in 20 years' time. He also called for the use of biofuels to be multiplied by five within two years. Finally, he pledged to improve transparency through the creation of an independent nuclear safety agency and the adoption by parliament this year of a new law on the storage of radioactive waste.

[1](#)3. Peugeot Citroen to launch hybrid diesel models by 2010: French automaker Peugeot Citroen will unveil later this month two demonstrator models for diesel-based hybrid cars, which are expected to be on the market by 2010. The Peugeot 307 and Citroen C4 demonstration cars are fitted with a hybrid diesel system, which cuts emissions and reduces fuel consumption. The new models would be a way for the country to cut its dependence on hydrocarbons in a time of rising oil prices, to move toward its goals to reduce the emission of greenhouse gases, and in so doing to help France meet its Kyoto commitments.

[1](#)4. Areva is rebranding Framatome and Cogema: French nuclear engineering group Areva recently announced plans to drop the old-established Framatome and Cogema names in order to "harmonise the communication of its commercial brands." As a result, Framatome, the subsidiary which constructs nuclear power reactors, will be rebaptised Areva NP (for Nuclear Power), while Cogema, the nuclear fuel division, will become Areva NC (Nuclear Cycle). Areva, formed in 2001 from the merger of CEA Industrie, Cogema and Framatome, is 93 percent state-owned, with only 4 percent currently listed via investment units. The government last year scrapped plans for an IPO and said no shares will be sold before [1](#)2007.

[1](#)5. China expects Areva to improve its offer for a nuclear reactor deal: During a December 2005 visit to France, Chinese Prime Minister Wen Jiabao told the French daily "Le Figaro" that China was not satisfied with the foreign offers generated by its huge nuclear power program, which he described as high in price and low in technology transfers. This warning corroborates the announcement by the Chinese

Government of a postponement in awarding the nuclear contracts and a probable delay in starting the construction of the first four reactors. French observers described the event as "a cold shower" for the French group Areva that furnished China its first civil reactors in the 1980's. Besides the price, companies have to improve their bids in at least one of two areas, "the engineering or the security of the power plants", according to Chinese authorities. Areva has since then tabled a new proposal, which has not been made public. Company officials are well-aware that the stakes are enormous. According to a French manufacturer, China "represents 20 percent of the world population and 50 percent of future electricity needs."

16. Areva T&D confirms its position as a leading electrical infrastructure supplier in the in Middle East: With the signing of its third major contract in the Middle East in a few weeks worth a total of 334 million euros, Areva Transmission and Distribution (Areva T&D) reinforces its position as a leading electrical infrastructure supplier in this high-growth region. Areva T&D will participate in a multi-million euro grid interconnection project to link the networks of Gulf Cooperation Council members: Saudi Arabia, Bahrain, United Arab Emirates, Kuwait, Qatar and Oman. Areva T&D has also signed a 140 million euro agreement with national public utility Qatar General Electricity and Water Corporation (KAHRAMAA) for the expansion of the electricity transmission network in the Qatari capital.

17. EDF foresees net profit rising 10 percent a year: The President of French electricity giant EDF, Pierre Gadonneix, said in December that he expected EDF to see bottom-line earnings rise by about 10.0 percent each year in the coming years. Cost-cutting and efficiency-boosting measures, as well as a 26-billion-euro (31-billion-dollar) investment program over the next three years "will boost our operating profit by three to six percent and our after-tax profit by 10 percent," Gadonneix told the Frankfurter Allgemeine Zeitung. He further explained that EDF would "pull out of countries where there are no synergies with Europe" to finance its investment program. This comes on top of the recent 6.25 billion euro capital increase, efficiency-boosting measures, cost-cutting via job cuts and an internal reorganization.

18. EDF share sale hits snags, gives Enel French foothold: Overall, the EDF capital opening did not go as smoothly as first hoped. EDF had hoped to raise seven billion euros and, to make matters worse, there were reports of individual retail investors who were hoodwinked into buying shares by their banks. Dozens of individuals reportedly complained to the French financial markets regulator, AMF. French banks Credit Lyonnais and Societe General, which both advised the government on the sale, confirmed that they had a handful of complaints, but clients were reimbursed immediately. Meanwhile, demonstrating tangible evidence of some market opening, the Italian power company Enel has made a long-awaited breakthrough into the French electricity market, receiving 300 MW of power a year from EDF as of January 1 for resale to French clients. The EDF cooperation deal with Enel reportedly could be expanded to include Enel's participation in the nuclear power plant project in Normandy launched by the French government over a year ago.

19. Brussels opens state aid probe into French oil research group: In late-December, the European Commission opened a probe into French state aid to the French Petroleum Institute (IFP), a non-profit research outfit. The commission in particular voiced concerns that IFP and a subsidiary that sells its research findings were a "single player" even though the unit was in competition with private companies. IFP, which focuses on research into hydrocarbons and refining technology, received state aid of 200 million euros (236 millions dollars) in 2003 and 163 million euros in 2004, the commission said.

Stapleton